

Fraud Awareness Newsletter

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Office of the Inspector General
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Prosecutions Health Care Fraud

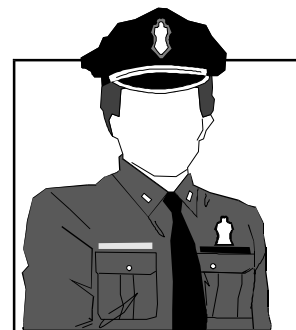
An indictment was returned against Mark Smith, doing business as Major Medical Health Services, Incorporated (MMHS), Westminster, CO, charging him with 20 counts of mail fraud. Smith, president of MMHS, has his corporate office in Columbus, OH. Under the name of MMHS, Smith was paid approximately \$140,000 for false claims submitted to the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) and private insurers for durable medical equipment (DME). Smith obtained a list of persons with handicapped license plates from the local motor vehicles office, then directed employees at

the Westminster, CO, office to use telemarketing techniques to sell "scooters" and "adjustable beds" while offering the DME as free with no co-share to people with physical handicaps. It was determined the MMHS billed for more sophisticated and expensive equipment than it actually provided and that much of the DME was never delivered. Special Agent Janet Mandryk, Denver Resident Agency (RA), is conducting the investigation with the Federal Bureau of Investigation (FBI).

Lying, Cheating...

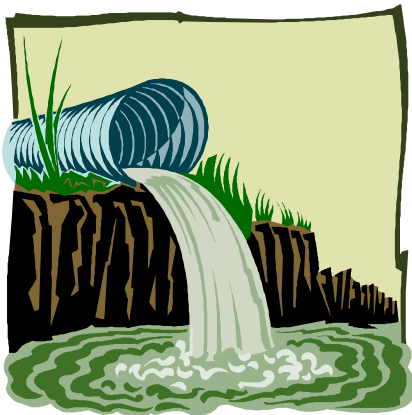
Multiple count indictments were returned against Loe's Highport, Incorporated (LHI); Babo Beazley Loe, secretary/treasurer, LHI; C. D. Loe, president, LHI; Henry Blume Loe, sales manager, LHI; Scott Howard, accountant, LHI, and Roger Foltz, insurance adjuster for Lexington and Chubb insurance companies. The charges include conspiracy, making false statements, currency transaction violations and money laundering. The Government is seeking forfeitures over \$2.9 million. The LHI leases land from the Tulsa

District Corps of Engineers (COE) on Lake Texoma where LHI owns a commercial concession that includes nightclubs, retail stores, boat sales, boat repair services and over 950 boat slips. The LHI is required to pay the COE a percentage of total receipts from the business conducted on the premises. Between 1990 and 1995, LHI and the corporate principals allegedly conspired to underreport over \$18 million in boat sales and other gross income to the COE. Further, the LHI marina has incurred flood, fire and tornado damage within the past 7 years. The above individuals allegedly conspired to submit fraudulent casualty claims, double billed and misrepresented income losses incident to filing the business interruption claims with the insurance companies. Special Agent James S. Wray, Tulsa Post of Duty (POD), is conducting the investigation with other task force members from the FBI, the Internal Revenue Service (IRS) and the Defense Contract Audit Agency.



Theft

Indictments were returned against Alex Roland Parrish, Morris Rand Butcher, Jr., and Fredrick Reed, former police officers at the Defense Depot Memphis, Memphis, TN. All were charged with theft of Government property. The officers allegedly stole Government property while on duty at the Depot. Special Agent James Hogan, Nashville POD, is conducting the investigation.



Environmental Crimes

Indictments were returned in Honolulu, HI, against John Orsini, former executive director, Industrial Technology (IT), and Edward Jorgenson, former director, IT. They are charged with 45 counts of mail fraud. The IT allegedly charged commercial companies and the Department of Defense (DoD) for the treatment and proper disposal of contaminated nonhazardous waste water, when, in fact, the waste water was disposed of in a septic tank at the IT job site. Additionally, the IT directors allegedly instructed their employees to dispose of the untreated waste water by spraying it on a tire chip pile on a lot in Maile, HI. Spe-

cial Agent Lynne Lowe, Hawaii POD, is conducting the investigation with the FBI and the Naval Criminal Investigative Service.



Explosives & Weapons

Superseding indictments were filed against Felix Rendon Osuna and Thao Dinh Le. Osuna was charged with possession of an unregistered destructive device and a M204 machine gun; Le was charged with possession of DoD explosives and a M204 machine gun. They were originally charged with possession of an unregistered destructive device. Osuna, a firearms dealer from Miramonee, CA, allegedly had attempted to purchase several DoD explosive devices specifically designed for U.S. military use. Le, a firearms dealer and owner of Cadre Supply, Incorporated, Tulsa, OK, was in possession of several DoD explosive devices specifically designed for U.S. military use. The specific devices have never been sold or released by the DoD to the public. Special Agent James S. Wray, Tulsa POD, is conducting the investigation jointly with the Bureau of Alcohol, Tobacco and Firearms.

Harassing Phone Calls

An indictment was returned against Thomas John O'Malley charging him with 12 counts each of telephone harassment and possessing criminal tools, 4 counts of intimidation, 4 counts

of aggravated menacing and 2 counts of ethnic intimidation. An investigation disclosed that O'Malley, a military pay technician for the Defense Finance and Accounting Service, Cleveland, OH, allegedly made numerous obscene and harassing telephone calls to Government employees and private citizens in the Cleveland area. The telephone calls were sexually and ethnically degrading. Special Agent Wayne Dorschu, Cleveland RA, is conducting the investigation with the Cleveland Police Department and the Cuyahoga County Prosecutor's Criminal Investigation Division.



Health Care Fraud

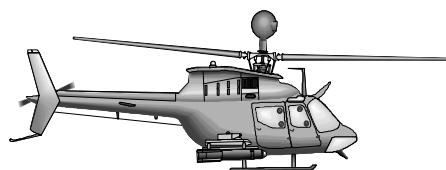
John E. Stauch, owner of Annandale Medical Services (AMS), Annandale, VA, pled guilty to mail fraud and tax evasion. Stauch submitted false claims to CHAMPUS, Medicare and insurance companies under the Federal Employees Health Benefits Program (FEHBP). As a Ph.D. nutritionist and not a licensed medical doctor, Stauch was not an authorized provider for the aforementioned programs. Stauch operated AMS, an alternative medical facility that specialized in chelation therapy,

the administration of a manmade amino acid called ethylenediamine tetracetic acid (EDTA). The EDTA is administered by intravenous (IV) infusion and in cases involving heavy metal poisoning, CHAMPUS approves the use of EDTA. From 1994 through 1996, Stauch used EDTA for nonauthorized purposes. On several occasions, he performed the EDTA IV infusion therapy and billed the services under the provider number and signature stamp of a licensed medical doctor. Stauch also billed for office visits under the medical doctor's number and signature when he had conducted the office visit in conjunction with the IV infusion. During 1994 and 1995, Stauch used substantial amounts of AMS earnings for personal expenses that included the mortgages and related expenses on three personally-owned properties. For calendar year 1994, Stauch claimed no taxable income. He received about \$267,000 in fraudulent funds from CHAMPUS, Medicare and the FEHBP. Special Agent Edward Bosak, Mid-Atlantic FO, conducted the investigation with the Department of Health and Human Services, the IRS and the U.S. Postal Inspection Service.

Helicopter Parts

Dods Incorporated of Oklahoma (Dods), Breau Bridge, LA, through its president and owner, David Storey, waived indictment and pled guilty to one count of submitting false statements to a Government agency. The Dods repaired and manufac-

tured helicopter panels without the necessary authorization and quality assurance approvals required by the Federal Aviation Administration (FAA) and falsified documents to conceal the actual manufacture or level of repair performed. Its customers included DoD contractors. Dods voluntarily surrendered its FAA repair station certification. Special Agent Kathryn Wilz, New Orleans RA, conducted the investigation with the FBI and the Department of Transportation (DoT).



Sentences

Federal Excise Tax

Paylak Broutian was sentenced to 10 months home confinement, 36 months probation, 100 hours community service and a \$50 special assessment for false representation regarding liability for Federal Excise Tax. In related cases, Ghguas Yamukian was found guilty of conspiracy and mail fraud and Armen Lousinian pled guilty to mail fraud. Broutian, Yamukian and Lousinian are members of the "Mikaelian Organization," led by Hovsep Mikaelian. They were involved in the fraudulent obtaining, stealing and sale of \$8 million of fuel during a 3-month period. An undetermined portion of the fraudulently obtained or stolen fuel was from the Defense Fuel Supply Center, San Pedro, CA. Broutian and Lousinian

owned service stations through which the stolen fuel was sold to the public. Special Agent Robert Koger, El Segundo POD, conducted the investigations with the FBI, the IRS, the Los Angeles and Long Beach, CA, Police Departments, the DoT and the California Department of Justice.

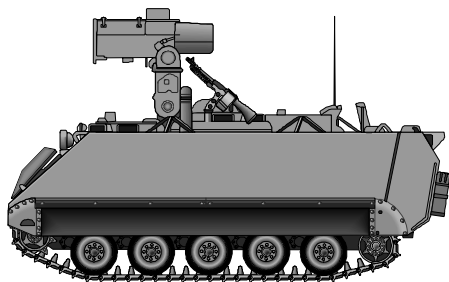
False Identification

Michael Davis was sentenced in the Eastern District of Pennsylvania, to 8 months incarceration, 3 years supervised release, restitution of \$6,989 and a \$150 special assessment. He previously pled guilty to one count of use of a counterfeit access device and two counts of use of a fraudulent military identification. Davis was involved with a ring of individuals who defrauded several financial institutions throughout Pennsylvania, New Jersey and Delaware. The ring used counterfeit U.S. military identification cards and state driver's licenses to obtain instant credit. The fraud exceeds \$20,000. Special Agent Kathy McHale, Northeast Field Office (FO), conducted the investigation with the U.S. Secret Service.

Military Equipment

Donald E. Crandall, Dennis E. Lambert and Loyd L. Pilgrim were sentenced as follows: Crandall to 27 months incarceration and a \$50 special assessment; Lambert to 51 months incarceration, 36 months supervised probation and a \$250 special assessment; and Pilgrim to 41 months incarceration, 36 months supervised probation and a \$200 special assessment. The

defendants also were ordered to pay \$687,684 in restitution to the DoD. Crandall previously pled guilty to theft of Government property; Lambert and Pilgrim to conspiracy and theft of Government property. Lambert and Crandall, civilian U.S. Army employees at Fort McCoy, WI, received money and other items of value from Leo Anthony Piatz, Jr. In return, Piatz was allowed to remove military vehicles and heavy equipment from Fort McCoy. That equipment included TOW missile launchers, M548 cargo carriers, snow blowers, a Sheridan tank, a bulldozer, a 20-ton crane and forklifts. Piatz, Pilgrim and others either sold, traded or provided as gifts the property taken from Fort McCoy. Special Agent Craig Adams, Minneapolis POD, conducted the investigation jointly with the FBI.



Bid Rigging

Shafik Tabeek, former district sales manager, Concurrent Computer Corporation (Concurrent), Binghamton, NY, was sentenced to 2 years probation, 200 hours community service, to pay \$7,431 restitution and a \$350 special assessment for mail fraud. In addition, Donald Fabricius, former vice president, Intellisys, Incorporated, and Binghamton Simulator Company, Incorporated,

Binghamton, NY, was sentenced to 4 months home confinement, 3 years probation, to pay \$16,431 restitution and a \$350 special assessment for mail fraud and conspiracy to defraud the Government. Tabeek and Fabricius devised a scheme to have Concurrent pay the expenses incurred by Fabricius while he lived in a penthouse suite in Vestal, NY. Tabeek and others approved payment of the \$7,431 in hotel bills, then disguised the actual nature of the invoices mailed to Concurrent to make it appear they were legitimate business expenses of Concurrent. In return, Fabricius provided Tabeek with the price being bid by Harris Corporation and other Concurrent competitors on the U.S. Army CH-47 flight simulator computer upgrade subcontract with prime contractor CAE-Link Corporation. Concurrent was selected to provide the upgraded computer to the U.S. Army. Concurrent ultimately could not manufacture a computer to meet the requirements of the contract and was eventually replaced by Harris Corporation. This delayed delivery of the upgraded flight simulator and caused CAE-Link to suffer a \$1.7 million loss on the CH-47 contract. Special Agent Scott Miller, Syracuse RA, conducted the investigation.

Civil Settlements Product Substitution

American Precision Industries, Incorporated (API), reached a settlement agreement with the Government. The API will pay \$285,000 to settle allegations

that API's former Rapidsyn Division, Oceanside, CA, knowingly caused false claims to be made on DoD and National Aeronautics and Space Administration (NASA) contracts for products, including API specialized motor subassemblies. An investigation determined the Rapidsyn Division failed to provide its prime contractors with specialized motor assemblies that met all contract requirements--the motor assemblies were usable, but did not have the quality or durability for which the Government had paid. Additionally, the Rapidsyn Division falsely represented to its prime contractors that it met the contract requirement for "traceability." The API has since closed the Rapidsyn Division and transferred its operations to another API division. Special Agent Sam Medigovich, San Diego RA, conducted the investigation with the NASA.

Health Care Fraud

Arlington Anesthesia, Incorporated, McLean, VA, reached a civil settlement with the Government and will pay \$22,079. An investigation determined the company used incorrect coding to bill for noncovered fertility services. The billings were submitted to health insurance organizations that included CHAMPUS, Blue Cross/Blue Shield of the National Capital Area and the Government Employees Hospital Association under the FEHBP. Special Agent Robert Craig, Mid-Atlantic FO, conducted the investigation with the Office of Personnel Management and the U.S. Postal Inspection Service.



To report suspected fraud involving to Department of Defense or to comment on this newsletter please contact the nearest Defense Criminal Investigative Service office. The addresses and telephone numbers of the offices that are part of the Central Field Office are listed below.

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